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MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Deputy Director/Intelligence

SUBJECT: Potential European Satellite Exports to the United States

This memorandum is responsive to the question raised at a recent NSC meeting concerning what exports the European Satellites might have available to pay for imports of U.S. agricultural surpluses.

1. Magnitude of Trade of the European Satellites with the U.S.

Trade with the European Satellites constitutes only a small fraction of United States total trade. In 1948 such trade amounted to $121.7 million or six-tenths of one percent of total United States foreign trade. By 1955 trade with the European Satellites had diminished to $45.7 million or less than two-tenths of one percent of total United States foreign trade.

2. Changing Pattern of European Satellite Exports

The major exports of the European Satellites to the West have traditionally been those of the farm, forest, and mine. Rapid industrialization and increasing efforts at Bloc economic integration have, however, necessitated a shift of domestic resources from agriculture to industry with a resultant decline in the production and export surpluses of most of the area's traditional agricultural and raw material exports. By 1954 the European Satellites had become net importers of food products.

Never a large consumer of Satellite mineral and agricultural products, the United States has remained relatively unaffected by the changing pattern of Satellite exports. Major prewar United States imports from the European Satellite area were hams from Poland, textiles, glass, leather shoes and gloves from Czechoslovakia, furs

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from Rumania and cigarette tobacco leaf from Bulgaria. Major United States imports from prewar Germany included chemicals, photographic equipment and machinery of various types.

3. Current European Satellite Exports to the United States

Any attempt to estimate Satellite export potential to the United States is necessarily complicated by strategic export controls and the provisions of the Trade Agreements Extension Act of 1951. Under Sections 5 and 11 of the latter, the President was required to take action to deny the benefits of trade agreement concessions to imports from the USSR and its Satellites and to prevent the importation of certain furs from the USSR and Communist China. Accordingly, in 1951-52 the United States withdrew all trade agreement concessions including the "most favored nation" clause from each of the Satellites, thus subjecting commodities imported from the Bloc to the relatively high rates of duty specified in the tariff act of 1930. This action has eliminated all but the most competitive dutiable items imported from the Bloc.

Although United States imports from the European Satellites have shown a small but steady increase ($23 million in 1952, $26 million in 1953, $30 million in 1954 and $39 million in 1955) the commodity composition of such trade has remained substantially unaltered, 1/ and restricted to a relatively few major items. Thus of $37.9 million worth of imports from the European Satellites in 1955, $17 million or almost half consisted of Polish hams. The remainder was largely accounted for by shipments of fertilizer and photographic equipment from East Germany, feathers and burlap from Hungary, glass products from Czechoslovakia and benzene and napthalene from Poland.

4. Prospects for Future European Satellites Exports to the U.S.

a. United States demand for European Satellite products remains a relatively elastic one, conditioned to a large extent by Bloc sales promotion and pricing policy. The United States currently imports few Satellite goods for which an alternate source of supply is not readily accessible.

1/ The most noteworthy changes have been the complete disappearance of Czech leather shoes and gloves, major prewar exports to the United States, and the rapid increase in Polish shipments of coal tar products.

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b. A relaxation of controls and the extension of most favored treatment to Satellite nations would probably not result in any large-scale expansion of Satellite exports to the United States. However, a moderate increase in the volume of those Bloc goods which are currently exported to the United States and the introduction of new items as they become more competitive in the United States market could be expected.

c. An expansion of United States exports to the European Satellites in the form of surplus agricultural commodities could presumably be paid for out of dollar earnings, which have accrued to the area from its consistent and relatively large favorable trade balance with the United States ($22 million in 1952, $24 million in 1954, and $32 million in 1955).

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OTTO E. GUTHE
Assistant Director
Research and Reports

Enclosure:
1. U.S. Imports from EuSats by Principal Commodities
2. U.S. Imports from Sino-Soviet Bloc

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United States Imports from the European Satellites by Principal Commodities
1948, 1952, 1953, 1954, and 1955
(In thousands of U.S. dollars)

Commodity	1948 1/	1952	1953	1954	1955
General imports	26,313	22,768	25,646	30,480	38,657
Imports for consumption 2/	29,168	22,460	23,574	30,975	37,904
Meats and sausage casings	6	7,259	10,574	17,677	19,813
Fish products including shellfish	3/	20	23	12	15
Other foodstuffs	460	544	496	636	205
Furs and manufactures	1,466	668	345	418	467
Bristles, sorted, bunched, or prepared	32	457	437	310	481
Feathers, crude	1,619	2,885	1,606	696	951
Tobacco, unmanufactured	2,228	4	36	21	165
Hops	2,781	---	---	---	---
Wool, manufactured	---	---	---	169	133
Hair and manufactures	15	43	10	3	2
Other textiles and manufactures	6,092	795	621	1,140	1,089
Glass and glass products	2,420	1,202	715	913	1,732
Pottery and clay products	173	296	142	55	101
Precious and semiprecious stones, imitations and industrial diamonds	2,767	153	650	493	590
Antimony	---	127	---	---	---
Platinum group metals and jewelry	1,309	11	17	20	21
Coal-tar products, mainly benzene and napthalene	757	87	336	1,943	3,737
Fertilizers and fertilizer material	18	2,746	2,849	1,487	2,287
Photographic goods	38	1,897	1,337	1,771	1,970
Artworks and antiques	11	114	84	58	125
Beads and fabrics and articles of beads	2,646	20	251	449	459
All other imports	4,330	3,132	3,045	2,704	3,561

1. East Germany not included in 1948.

2. Commodity data are imports for consumption.

3. Less than $500.

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United States Imports from the Sino-Soviet Bloc
1938, 1948, 1952, 1954, and 1955

(In thousands of U.S. dollars)

Country	1938	1948	1952	1954	1955
Total Sino-Soviet Bloc	123,546	233,483	67,311	49,425	65,166
USSR	24,034	86,825	16,818	11,928	16,875
European Satellites	50,697	26,313	22,768	30,480	38,657
Albania	150	*	52	8	80
Bulgaria	2,214	831	275	311	402
Czechoslovakia	26,174	22,125	1,477	3,074	3,819
East Germany	1/	1/	7,118	3,794	5,439
Estonia	1,244	2/	*	*	*
Hungary	3,544	1,613	2,913	1,339	2,017
Latvia	558	6	*	*	*
Lithuania	922	10	1	1	5
Poland and Danzig	13,417	1,249	10,247	21,570	26,624
Rumania	2,474	480	683	382	270
China (including Manchuria) 3/	48,815	120,345	24,605	168	195
Outer Mongolia			3,120	6,849	9,439

NOTE: Columns may not add exactly due to rounding.

* None

1. Not shown separately.

2. Less than $500.

3. United States does not consider Outer Mongolia as a part of Communist China, although traditionally, for statistical purposes Outer Mongolia has been conditionally included with China. Separate figures for this area have been compiled by the Bureau of the Census only since January 1953. The 1952 breakdown is estimated.

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